

AUDIT AND GOVERNANCE COMMITTEE
Wednesday 29 November 2023

Present:

Mr G N Cook in the Chair

Councillors Crosby, Foster, McDonough and Trueman together with Mr M Knowles.

In Attendance:

Paul Wilson (Director of Finance), Claire Emmerson (Assistant Director of Finance), Mark Kirkham and Diane Harold (Mazars) and Gillian Kelly (Democratic Services Team Leader).

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

Apologies for absence were received from Councillor Stewart.

Minutes

12. RESOLVED that the minutes of the meeting of the Committee held on 22 September 2023 be confirmed as a correct record.

Audited Statement of Accounts 2022/2023

The Director of Finance submitted a report submitted a report providing Members with the Letters of Assurance required by the External Auditor as part of the Statement of Accounts process and presenting the Letter of Representation for 2022/2023. The Committee also received the Audit Completion Report from Mazars LLP providing their opinion on both the Council's Statement of Accounts and its arrangements for securing economy, efficiency and effectiveness in its use of resources (Value for Money). The audited Statement of Accounts for 2022/2023 was presented for approval by the Committee.

The Director of Finance reported that the Council had been required to publish its draft Statement of Accounts by 31 May 2023, however they had instead been published on 6 July 2023 due to delays in receiving pension valuation information

from the Local Government Pension Scheme (LGPS). An Accounts Delay Notice had been published on 31 May 2023 setting out the reasons why the publication was delayed.

Ideally, Mazars LLP would have provided an opinion on the Statement of Accounts by the end of September 2023 but this had not been possible due to audit firms being required to clear the backlog of audit work relating to previous years and the Council had published the required notice to advise of the delay. The audit opinion would not be issued at this time but it was expected that it would be unqualified.

Mark Kirkham and Diane Harold were in attendance to present the Audit Completion Report and Mark noted that there were only a small number of tests to complete and the auditors were pleased with where the work was at the current time.

Diane Harold advised that the required assurance from the Tyne and Wear Pension Fund auditors on the 2022/2023 Pension Fund accounts had not yet been received but it was understood that the work had been done and was being reviewed. It was also highlighted that some bank confirmations were outstanding; Mazars would write to the banks and building societies with which the Council had investments and two confirmations were outstanding for investments of £120m.

In terms of the significant risk in relation to net defined benefit liability for pensions, Diane had made Members aware of the current net asset position at the previous meeting of the Committee and there were some technical issues to consider about how this was calculated. The net defined liabilities for the two subsidiaries of the Council, Together for Children and Sunderland Care and Support, had been reviewed and no issues found.

A much larger sample had been used for the work on the valuation of property, plant and equipment for this year's audit and a small number of errors had been found but these were a trivial amount.

Diane directed Members to the significant matters discussed with management which included pensions, the shared PFI waste facility, Newcastle Airport shares, litigation and claims (including RAAC), group financial statements and IT internal control recommendations. There had been no significant difficulties encountered during the audit and Mazars had the full cooperation of management.

There had been three internal control recommendations for 2022/2023 in relation to evidencing lease agreements, evidencing approval for new loans and access to journal posting. None of these were high priority recommendations. Follow up had been carried out for previous year deficiencies in internal control and it was noted that a recommendation about disaster recovery tests for SAP had now been closed.

Diane reported that a small number of misstatements had been identified, none of which were material and had a net nil impact for the year. There were two unadjusted disclosure amendments which were not viewed as significant.

In respect of the Value for Money arrangements, it was intended that a combined report would be produced for 2021/2022 and 2022/2023. There had been no significant risks identified for either 2021/2022 or 2022/2023 but this would be kept

under review until the opinion was signed off. The audit certificate had not formally been issued for 2021/2022 but this was on track, subject to the completion of the outstanding areas of work.

Councillor McDonough noted the much-improved position regarding the pension fund and asked if there were any thoughts about where this would go in the future. Mark Kirkham stated that there was a great degree of turmoil in the gilts market and this meant that it was not possible to make predictions.

Mr Knowles thanked Mark and Diane for their assurance around the levels of cooperation which the auditors received and noted that the sparsity of internal control recommendations was credit to the management of the Council. He referred to the staffing issues being experienced in the audit sector and asked if this would impact on the audit for Sunderland.

Mark advised that the final review of the audit was ongoing and he offered assurance that there was zero tolerance for quality related issues; the standards which Mazars applied and the deployment of people would not impact on quality. Diane added that the team worked with the resources that they had and were persistent in making sure that standards were met.

Councillor Crosby commented that she understood a school in Washington had been found to have RAAC and asked if that would have an impact on the significant risks in the audit. Diane said that the auditors had asked the Council to inform them of any RAAC issues but they would distinguish between academies and local authority schools. The Director of Finance advised that it would be the responsibility of an academy or trust to rectify any defects but the Council would support schools in terms of sufficiency.

Councillor McDonough asked about information on the Council's return on investments and the Director of Finance stated that as reported through the treasury management updates reported to this committee and to cabinet the levels of returns have been increasing in line with increases in the Bank of England base rate with recent returns significantly in excess of 5% having been secured.

The Chair thanked the Director of Finance and his team and colleagues at Mazars for their work in relation to the production of the Financial Statements.

Having considered the report, the Committee: -

13. RESOLVED that: -

- (i) the contents of the Letter of Assurance from those charged with governance (Appendix A) and the Letter of Assurance from those charged with discharging management processes and responsibilities (Appendix B) be noted;
- (ii) the contents of the Letter of Representation (Appendix C) be noted;
- (iii) the contents of the Audit Completion Report (Appendix D) provided by Mazars LLP be noted;

- (iv) the revised Audited Statement of Accounts for the financial year ended 31 March 2023 (Appendix E) be approved; and
- (v) it be agreed that, should any amendments to the Statement of Accounts be required after the meeting of the Audit and Governance Committee, these be agreed by the Assistant Director of Finance in conjunction with the Chair. Members of the Audit and Governance Committee would be notified of any agreed changes.

Dates and Times of Next Meetings

14. RESOLVED that the following schedule of meetings be noted: -

Friday 2 February 2024 at 1.30pm
Friday 26 April 2024 at 1.30pm

(Signed) G N Cook
Chair